BC Immigrant Investment Fund Ltd.

2016/17 – 2018/19
SERVICE PLAN

For more information on the BC Immigrant Investment Fund Ltd. (BCIIF) contact:

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Vancouver, BC
V6Z 2G3

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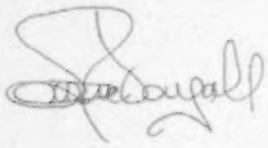
www.bciif.ca

Accountability Statement

The 2016/17 – 2018/19 BC Immigrant Investment Fund Ltd. (BCIIF) service plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks as of February 16, 2016 have been considered in preparing the plan. The performance measures presented are consistent with Taxpayer Accountability Principles and BCIIF's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCIIF's operating environment, forecast conditions, risk assessment and past performance.



Gordon MacDougall

Board Chair

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Strategic Direction and Context

Strategic Direction

The BC Immigrant Investment Fund Ltd. (BCIIF or the Corporation) is undergoing a transition in its governance structure to reflect the outcome of the Province's venture capital review. Consistent with this, the current Board of Directors' terms will expire on March 31, 2016 and a new Board Chair and Board of Directors will be in place as of April 1, 2016 with the responsibility to oversee the delivery of the 2016/17-2018/19 Service Plan. The outgoing Board Chair and Board of Directors will not be responsible for the delivery of this Plan.

The BCIIF is mandated to receive and manage BC's allocation of funds under the federal Immigrant Investor Program (IIP) to invest in economic development and job creation in the Province of BC.

In accordance with a Treasury Board Directive, Government appointed a Board of Directors in July 2012 to comply with Crown Agency governance practices. As part of the new governance and board structure, BCIIF transitioned its operations and appointed a Chief Executive Officer and staff.

In February 2014, the federal government announced its intention to terminate the IIP. Since then, BCIIF has worked with the Ministry of International Trade (MIT) to complete a mandate review to determine the future plans for BCIIF and its subsidiary, the B.C. Renaissance Capital Fund Ltd. (BCRCF). BCIIF will continue to support the transition to a new governance structure and execute future plans as directed by MIT.

While no new investments have been permitted or made during the mandate review, BCIIF continues to maintain best business and investment practices to earn positive investment returns. Consistent with our mandate, BCIIF: (i) invests available funds with the BC Investment Management Corporation (bcIMC) and the Province's Central Deposit Program (CDP) ($98.5 million is invested with these two organizations as of October 31, 2015) and; (ii) continues to provide oversight of the eight venture capital fund managers.

BCIIF has been instructed by Government in its 2016/17 Mandate Letter to continue with the priority actions outlined in the 2015/16 Mandate Letter. These priority actions are:

1. To work with the Ministry to implement new mandate directions from the BCIIF mandate review, including assisting with any transitional measures. During this period, no new investment opportunities are to be pursued.

2. To minimize the exposure of accessing the guarantee that the Province has given to the federal government on monies received under the IIP by maintaining best business and investment practices to realize positive investment returns.

3. To monitor and report on its capital commitments of up to $90 million in venture capital investments.

4. To use either the Ministry of Finance or British Columbia Investment Management Corporation for investment or deposit of funds in liquid investments, other than amounts allocated to venture capital and Government's Reporting Entity (GRE) investments.

As a result of the Province's venture capital policy review a new VC fund-of-funds called the BC Tech Fund will be formed and managed by a private sector fund manager. The Province has outlined related 2016/17 transitional direction for the BCIIF/BCRCF as follows:

- BCIIF/BCRCF governance and operations will transition from a private sector board into government by April 1, 2016;
- BCRCF will remain a Crown corporation in order to meet its investment commitments; and,
- to gain economies of scale, BCRCF's current investments will be administered by the same private sector fund manager who manages the BC Tech Fund.

Operating Environment

BCIIF investments are targeted broadly for economic development and job creation in BC, and are directed to three asset classes: public sector infrastructure loans, venture capital fund investments and cash and short-term investments through CDP and bcIMC.

Loan Portfolio: BCIIF long-term infrastructure loans are made to entities in the provincial public sector (the GRE), primarily post-secondary institutions, thereby supporting student education and knowledge-based sectors.

Venture Capital Portfolio: Through BCRCF, BCIIF manages $90.2 million of committed capital in a venture capital fund-of-funds model aimed at attracting venture capital fund managers to BC. Investments are committed to fund managers who make direct equity investments in companies across four key technology sectors: information technology, digital media, clean technology and life sciences.

Cash & Short Term Investments: BCIIF's investments managed by bcIMC are short-term, low risk and high quality government and corporate debt securities. Since 2013, funds have also been invested with the Ministry of Finance in the CDP, which deploys the short-term monies primarily for financing the Consolidated Revenue Fund.

Key risks faced by the Corporation, along with strategies for their management are:

- ***Interest rate risk***: persistent economic stagnation has suppressed interest rates, resulting in reduced interest income from liquid investments. BCIIF manages exposure to interest rate volatility by holding a portfolio of long-term fixed rate and short-term floating rate investments.

- ***Currency risk***: venture capital investments denominated in U.S. dollars pose a foreign currency risk. BCIIF holds significant U.S. dollar liquid assets which are sufficient to meet all remaining U.S. dollar-based commitments.
- ***Credit risk***: BCIIF's loan portfolio is at risk in the event of non-repayment by borrowers. All loans are made to GRE borrowers and structured with a corresponding general obligation ranking equivalent to other loans by the borrowers.
- ***Liquidity risk***: timing differences exist between cash receipts from infrastructure loans and cash repayments to the federal government. BCIIF manages this risk by holding a significant portfolio of short-term liquid investments.

BCIIF has fully embraced the Taxpayer Accountability Principles (TAP) established in July 2014. Specific initiatives implemented in the past year include:

- Formalized Standards of Conduct have been developed for BCIIF staff. All staff and Directors have reviewed the employee code of conduct and signed a declaration affirming compliance;
- The 2015/16 Mandate Letter provided by our Minister was reviewed and signed by each Director, and was posted on our website; Directors have attended relevant training addressing the requirements, intentions and spirit of TAP;
- Regular meetings are held between our Board Chair and the Minister, and regular discussions have occurred between our Deputy Minister and Acting CEO;
- TAP is addressed in the orientation of all new employees; and
- A cost-conscious environment prevails whereby spending is closely monitored and commitments are made in accordance with BC Government Procurement practices, and Board and employee compensation follows Treasury Board Directives and BC Public Sector pay scales.

The organization embraces TAP initiatives and will continue to focus on communications with the Ministry, clear and transparent reporting and opportunities for operational efficiencies.

Performance Plan

Goals, Strategies, Measures and Targets

The goals, strategies and measures reflect the ongoing transition of BCIIF. The Board of Directors and dedicated executive have provided new capacity to the organization, including the ability to enhance compliance practices and focus on a comprehensive approach to implementing the directions set out in the Mandate Letter.

Performance Measures Framework

BCIIF's performance measures framework follows *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets that are linked to specific goals, objectives and strategies. The framework reflects BCIIF's mandate to earn commercial returns and to promote economic development, while keeping the Province's debt burden affordable. The framework provides broad goals, aligns specific corporate strategies to each goal, incorporates ongoing research regarding suitable benchmarks and targets, and provides discussion of the significance of results.

Outlook

BCIIF believes its performance measures highlight the most crucial aspects of its performance and reflect aspects where it has control or influence over outcomes. It is recognized that these performance measures are subject to refinement and evolution as the Corporation matures.

Source Data and Reliability

BCIIF has sought to identify performance measures that are reliable and valid. Current and historical performance measures themselves are not audited but are largely based on audited information and information subject to third-party verification.

Goal 1: Generate Returns that Meet or Exceed BCIIF's Current Investment Strategy Targets

Strategies

Elements of BCIIF's returns strategy support Government's economic and jobs strategy and achieve commercial returns while maintaining affordability for the Province's fiscal plan and meeting BCIIF's risk profile. Achieving commercial returns on low-risk infrastructure loans will provide liquidity to retire the five-year immigrant investor loans from CIC, and will mitigate the smaller but higher-risk $90.2 million venture capital portfolio. BCIIF's loan portfolio is comprised of long-term loans to the Provincial Treasury which provides loan financing to GRE entities to support approved public sector infrastructure projects with loan yields equivalent to Government's cost of borrowing. BCIIF continues to deposit funds with CDP and bcIMC other than amounts allocated to venture capital and

GRE infrastructure investments. As previously noted, BCIIF will continue to maintain best business and investment practices to achieve positive investment returns.

Performance Measure 1: Achieve targeted average yields on investments

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
1.1 Five Year Weighted Average BCIIF Portfolio Return[1]	2.60%	2.53%	2.36%	2.16%	1.98%
1.2 One Year Weighted Average BCIIF Portfolio Return[1]	2.21%	2.34%	2.63%	2.30%	2.33%

Data Source: Rates projected based on Canada 3-month T-bill 1.78% (long-term average spread between T-Bill and Prime). T-Bill rate based on the average of six private sector forecasters (Scotiabank, CIBC, TD, RBC, BMO).

[1] Both the 1 and 5 year weighted averages include rates on Money Market (bcIMC and CDP) and infrastructure investments and exclude Venture Capital investments.

Discussion

These performance targets assume that BCIIF will invest capital in ways that support Government's economic and jobs strategy and meet BCIIF's risk profile and achieve commercial returns while sustaining an investment strategy which is affordable for the Province's fiscal plan. The targets also consider BCIIF's historical investment strategy and performance as well as its preferred investment term, which is aligned with BCIIF's five-year obligation to repay funds to CIC relating to the federal IIP.

Goal 2: Optimize BCIIF's Investment Strategy and Operations

Strategies

In 2016/17, BCIIF will continue to work closely and collaboratively with the Ministry on transitional measures as operations and governance transition into Government. To the extent possible, it will seek to streamline operations and improve reporting in ways that meet strategic, business and governance requirements. It will introduce a Performance and Accountability Framework. The framework, which is under development, will be aligned with Government's mandate direction along with TAP and *Budget Transparency and Accountability Act* requirements. It will include a clear set of performance and accountability metrics with a set of outcomes, and impacts corresponding to BCIIF's mandate. To ensure financial accountability and demonstrate commitment to a cost conscious environment (aligned with TAP), BCIIF is focused on efficiency and effectiveness throughout its operations. The expense ratio is a key efficiency metric commonly used by investment funds, and will be calculated following the first full year of implementation of the entity's new mandate.

Performance Measure 2: BCIIF Operational Efficiency and Effectiveness

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
2.1 Develop and adopt Performance and Accountability Framework	Framework under development	Framework under development	Draft framework to be submitted to Board for approval	Monitor performance and refine framework as appropriate	Monitor performance and refine framework as appropriate
2.2 Expense ratio[1]	Baseline under development	Baseline under consideration pending completion of mandate review	TBD	TBD	TBD

Data Source: BCIIF internal draft performance and accountability framework and internal BCIIF calculations.

[1] Expense ratio will be derived from BCIIF's audited consolidated financial statements and will be compared with that of publicly owned institutional investment organizations with similar investment and operational requirements.

Discussion

To support the achievement of these performance measures, BCIIF has engaged in research to identify best practices in organizational structure, risk management and performance measurement. Appropriate best practices that meet BCIIF's operational and performance requirements will continue to be adopted and adapted to suit the needs of the organization and to support the development of the framework.

The timing of the development and implementation of the Performance and Accountability Framework and the Expense ratio baseline may be influenced by the timing of the transition to the new governance model, selection of the private sector fund manager and launch of the new BC Tech Fund.

Goal 3: Stimulate Commercialization of Innovation and Venture Capital Investment in BC

Strategies

BCRCF is structured as a "fund of funds" designed to attract world-class venture capital investors to BC investment opportunities. Access to capital sources with a global reach and experienced management are critical to foster commercialization and growth for BC companies. To increase the visibility of BC as an attractive market for venture capital, BCRCF strives to increase domestic and international linkages through its fund managers, many of whom have networks extending around the world. To increase the probability of investments in BC companies, fund managers have entered into side letter agreements with BCRCF under which they commit to perform investment activities in BC.

Venture capital investments are subject to the "J-curve effect" over a typical 10-year fund lifecycle, whereby negative returns occur in early years while new investments are being made, and gains occur in later years as portfolio companies mature. Historically, returns commence after three to five years; however, slow economic growth and the economic downturn in recent years, negatively impacted opportunities to exit companies. As a result, caution must be exercised regarding expectations around the timing of venture capital returns.

Performance Measure 3: BCRCF Cumulative Capital Called and Invested

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
3.1 Cumulative capital called on BCRCF's commitments to fund managers	$68 million	$75 million	$81 million	$85 million	$85 million
3.2 Cumulative investment by BCRCF fund managers in BC companies	$157 million	$161 million	$165 million	$170 million	$170 million
3.3 Cumulative investment by BCRCF fund managers and syndicate partners in BC companies	$308 million	$316 million	$324 million	$340 million	$350 million

Data Source: Capital calls and investment amounts are based on invoices, BCRCF venture capital fund managers' audited financial statements and quarterly performance reports.

Discussion

The performance targets demonstrate the significant amount of additional capital attracted to BC as a result of BCRCF's investments. BCRCF fund managers maintain and develop key relationships and networks that encourage investment in BC companies. For forecast purposes, BCIIF has used an approximate leverage multiple of slightly over 2.0 times and 4.0 times the capital called on BCRCF's commitments to fund managers for performance measures 3.2 and 3.3 respectively. Although BCRCF funds are fully committed, follow-on investments and corresponding capital calls may still be made by BCRCF fund managers who are at or near the end of their investment periods. It is reasonable to expect that a portion of the un-called funds available for new investments from existing BCRCF venture fund managers will be directed to qualified BC companies.

Financial Plan

Summary Financial Outlook

	[illegible] Actual	[illegible] Forecast	[illegible] Budget	[illegible] Budget	[illegible] Budget
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Key Forecast Assumptions

The above financial information and forecasts are prepared based on Public Sector Accounting Standards in Canada. This Service Plan incorporates "forward-looking statements" including information related to future anticipated investment performance and related revenues, along with expected expense levels. Actual results may differ materially from those in the forward-looking estimates as a result of various factors, some of which are beyond BCIIF's control, including, but not

limited to, the risks discussed under the Operating Environment section of this Service Plan. Review and interpretation of forecasts should take into consideration the following:

1. Revenue assumes that all available funds, other than those required to meet venture capital commitments, will be invested in liquid financial instruments with CDIF and/or BCIC earning returns reflecting short-term, low-risk investments (aligned with direction provided through the priority action items in our Mandate Letter). Acknowledging uncertainties around the timing and amount of venture capital distributions, and to be conservative, venture capital investment income is reported as realized, with no amounts budgeted.
2. Beginning in 2016/17, the management and governance of the BCIIF and BCBCE will be transitioned to Ministry staff and so all operating expenses other than the amortization will be borne by the Ministry, not the BCIIF or BCBCE.
3. Loans received through the IIP are received net of commission costs. BCIIF amortizes these commission costs over the term of the loan (five years). The debt to Canada is supported by a Provincial guarantee.

Management Perspective on Future Financial Outlook

While the federal government announced its intention to terminate the IIP, federal applications in progress at the time of termination are currently being processed with funds continuing to flow to BCIIF. Based on recent estimates, BCIIF forecasts that it will continue to receive allocations totaling approximately $2.1 million for 2015/16 and 2016/17.

Government's 2015/16 Mandate Letter directed BCIIF to work with the Ministry of International Trade to complete the BCIIF review and implement a new mandate direction. During the review period no new investment opportunities were to be pursued and none have been made.

Appendix A:

Hyperlinks to Additional Information

BC Immigrant Investment Fund (BCIIF)

An organizational overview of BCIIF, mission and values, leadership, and corporate governance information (includes all information and disclosure requirements of the Crown Agencies Resource Office) can be found starting here: http://bciif.ca/about-bciif/overview/ and by examining subsequent drop-down menu links.

Mission and values: http://bciif.ca/about-bciif/missions-values/

Leadership and governance including Board information: http://bciif.ca/about-bciif/leadership/

The most recent Mandate Letter, for 2015/16, can be found at: http://bciif.ca/wp-content/uploads/2015/06/Mandate-Letter-2015-2016.pdf

Standards of Conduct: http://bciif.ca/wp-content/uploads/2015/06/Standards-of-Conduct-2014.pdf

B.C. Renaissance Capital Fund Ltd. (BCRCF)

Additional information on investment strategy, venture capital fund managers and investee companies of BCRCF, a wholly-owned subsidiary of BCIIF, can be found at: http://bciif.ca/about-bcrcf/overview/

Fund manager profiles and BC investment details can be found at: http://bciif.ca/about-bcrcf/fund-managers/

Appendix B:

Subsidiaries and Operating Segments

Active Subsidiaries

The B.C. Renaissance Capital Fund Ltd. is a Crown corporation wholly-owned by the BCIIF. The members of the Board of Directors and management ar the same as the BCIIF.

In August 2007, the provincial Treasury Board approved an allocation of $90.2 million from BCIIF to BCRCF for venture capital investments in key technology sectors of information technology, digital media, clean technology and life sciences. The objectives of the BCRCF are to:

- Generate positive returns for the capital committed;
- Increase the probability that innovative new goods and services in BC gain full-scale commercialization;
- Increase the depth of the venture capital market in BC; and
- Enhance the visibility of BC as an attractive market for venture capital opportunities in North America and globally.

BCRCF invests with venture capital fund managers who have a track record of investing successfully in one or more of the four key technology sectors. Each venture capital firm that BCRCF invests with commits to perform certain investment-related activities in BC such as forming strategic alliances with local venture capital firms, participating in investor forums in BC to establish networks with stakeholders, and exploring investment opportunities in the province. BCRCF has made investment commitments with the following eight fund managers through formal limited partnership agreements and side letter agreements:

- ARCH Venture Partners
- Azure Capital
- iNovia Capital
- Kearny Venture Partners
- Tandem Expansion
- Vanedge Capital
- VantagePoint Capital Partners
- Yaletown Venture Partners

BCRCF: Summary Financial Outlook Table

$'000's	2014/15 Actual	2015/16 Forecast	2016/17 Budget	2017/18 Budget	2018/19 Budget
Revenues[1]	3,075	9,045	-	-	-

[1] BCRCF financial accounts are consolidated into the parent company statements of BCIIF. To be conservative given the high-risk nature of venture capital investments, venture capital income is reported as it is realized.

Appendix C:

Letter from the Minister to the Board Chair

BRITISH COLUMBIA

February 1, 2016

Mr. Gordon MacDougall, Chair
Board of Directors
BC Immigrant Investment Fund
301-865 Hornby Street
PO Box 9324 Stn Prov Govt
Vancouver, BC V8W 9N3

Dear Mr. MacDougall:

I would like to thank you for your dedication, professionalism, and service to the Province of British Columbia in your role as Chair of BC Immigrant Investment Fund (BCIIF) and BC Renaissance Capital Fund (BCRCF) over the past three and a half years.

Under your leadership, these two Crown corporations have made significant contributions to the economy of British Columbia, overseeing more than $400 million in capital, which is invested in public infrastructure loans for educational and health facilities and venture capital investments focused on key high technology sectors.

As a result of the federal government's termination of the Immigrant Investor Program and changes in the Province's venture capital policy framework, the governance and operations of the new BCIIF and BCRCF will move from the current Board of Directors, whose term expires on March 31, 2016, to a new public sector Board of Directors, who will be in place after April 1, 2016. The new Board will be accountable for implementing the Performance and Financial Plan contained in the 2016/17 Service Plan.

Thank you again for your exemplary service and commitment to the Province of British Columbia

Sincerely,

Teresa Wat
Minister